

## Message Text

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ACTION OPIC-06

INFO OCT-01 EA-07 ISO-00 XMB-02 COME-00 EB-07 L-03 /026 W

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R 021018Z MAR 76

FM AMEMBASSY BANGKOK

TO SECSTATE WASHDC 9386

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DEPT PASS EXIMBANK FOR W. SAUER AND F. MASSEY, AND OPIC FOR  
D. GREGG AND S. FRANKLIN

E.O. 11652: N/A

TAGS: EFIN, TH

SUBJ: SIAM KRAFT PAPER CO. LTD.

REF: A) BANGKOK 3411 B) BANGKOK 4145

1. FOLLOWING IS SUMMARY OF STATUS AND PROSPECTS SKPC RE-  
ORGANIZATION.

2. PRESENT STATUS--BASIC AGREEMENTS, VIZ: REORGANIZATION AGREE-  
MENT WITH ANNEXES, VOTING AGENCY AGREEMENT, MANAGEMENT AGREE-  
MENT, EXIMBANK CREDIT AGREEMENT, OPIC CREDIT AGREEMENT AND THAI  
CREDITORS CREDIT AGREEMENT HAVE BEEN PREPARED, REPRODUCED,  
DISTRIBUTED AND ARE IN FINAL FORM FOR SIGNING SUBJECT  
SOLUTION CERTAIN PROBLEMS.

3. TIMING--DUE TO SHELL PROBLEM, BOARD MEETING TO AUTHORIZE  
SHAREHOLDERS MEETING DELAYED FROM FEB. 19 TO FEB. 26. FIRST  
SHAREHOLDERS MEETING NOW SCHEDULED MARCH 8 AND SECOND, MARCH  
22. LATTER NOW EARLIEST CLOSING DATE. NOTICE SENT OUR MARCH 1.

4. SHELL--CONTRARY EARLIER INDICATIONS, SHELL HAS BROKEN RANKS  
AND WANTS SPECIAL TREATMENT AS TRADE CREDITOR (REFTEL B).  
EXCHANGE OF LETTERS AND MEETINGS WITH SHELL LEAVE SIGNIFICANT  
DIFFERENCES, PRINCIPAL ONE BEING SHELL INSISTS BAHT 7 MILLION  
OUT OF TOTAL 20 MILLION DEBT BE PAID 7 MONTHLYS BEGINNING NOW.

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OUR OFFER IS BAHT 3 MILLION OVER FIRST THREE YEARS. IMPOSSIBLE

MAKE FURTHER CONCESSIONS BASIS PRESENT 3 YEAR BUDGET WITHOUT USING NEW MONEY TO PAY SHELL DEBT. THAI GOVERNMENT HAS BEEN REQUESTED BY KRUNG THAI TO APPROACH SHELL. IF SHELL HOLDS POSITION, REORGANIZATION CANNOT PROCEED. CREDITORS HAVE CONSIDERED COMPOSITION UNDER BANKRUPTCY LAW, BUT RECEIVER COSTS OF 3.5 PERCENT TOTAL ASSETS AND UNCERTAINTY MAKE IMPRACTICAL. PRESENT PLAN IS TO PROCEED TOWARD CLOSING AND SEND FINAL PROOFS AGREEMENTS WITH JOINT CREDITOR LETTER URGING SHELL PARTICIPATION.

5. SECURITY--PRIOR SECURITY PROPOSALS JETTISONED IN FAVOR LAND MORTGAGE AS ONLY REAL SECURITY FOR NEW MONEY. LOCAL LAWYERS DIFFER ON RIGHT FOREIGN ENTITY TO HOLD MORTGAGE UNDER THAI LAW. WE HAVE MADE CLEAR NO SECURITY, NO DISBURSEMENT, BUT TIME FOR EXECUTION AND RECORDING MORTGAGE MAY EXTEND BEYOND MARCH 23. SKPC TO BEAR COST FOR MORTGAGE WHICH WILL BE IN AMOUNT OF NEW LOANS.

6. BUDGET COVERAGE--EXIM-OPIC NOT SATISFIED WITH DETAILS OF BUDGET. TWO PROJECTIONS MADE--ONE CONSERVATIVE, OTHER PROBABLE. FORMER REQUIRES PART OF NEW LOAN TO COVER PAYMENTS MITR PHOL, SHELL (PER OUR PROPOSAL) AND OUTSTANDING TRADE CREDITORS. SOME USE OF NEW MONEY FOR THIS PURPOSE APPEARS INEVITABLE BUT MEAN TO KEEP TO MINIMUM. IN ANY EVENT INSISTING ON BETTER BREAKDOWN.

7. LAW SUITS--KEARNS SETTLEMENT NOW MORE LIKELY THAN AT TIME REFTEL A, BUT NO NEW PROGRESS REPORTED P&W. WE INSISTING THAT PRIOR TO CLOSING SIGNIFICANT PROGRESS TOWARD SETTLEMENT BE MADE OR ASSIGNMENT OF COSTS AND CLAIMS TO SHAREHOLDERS OR DIRECTORS LOOKING FOR GREATER RECOVERY.

8. LEGAL OPINION--MAY NOT BE POSSIBLE TO OBTAIN OPINION WITH ENTIRELY SATISFACTORY CONCLUSIONS ACCORDING TO ALL LAWYERS INVOLVED, SINCE SOME PROVISIONS OF REORGANIZATION EITHER NOT RECOGNIZED OR UNENFORCEABLE UNDER THAI LAW. HOWEVER, CHOICE OF LAW BY PARTIES IS RECOGNIZED AND MAY BE BASIS ON WHICH ACCEPTABLE OPINION CAN BE STRUCTURED.

9. OTHER PROBLEMS--OTHER PROBLEMS TO BE RESOLVED INCLUDE DEBENTURE QUESTION (TENTATIVE ACCEPTANCE THAI COUNTER-OFFER). LIMITED OFFICIAL USE

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10. CREDITORS COMMITTEE--NEW CANDIDATE FOR EXIM-OPIC REPRESENTATIVE IS T. R. HERNDON, RESIDENT MANAGER OF SCOTT PAPER COMPANY, CAPABLE, SPEAKS THAI AND IS INTERESTED. IS NOW IN STATES CHECKING WITH HEADQUARTERS. WILL BE BACK ON MARCH 13.

11. PROSPECTS--NOTWITHSTANDING ABOVE DIFFICULTIES, REORGANIZATION STILL SEEMS BEST COURSE FOR EXIMBANK-OPIC PROVIDED MAJOR

DIFFICULTIES RESOLVED. ALTERNATIVES NOW APPEAR AS FOLLOWS  
IN ORDER OF PROBABILITY: 1) REORGANIZATION WILL BE COMPLETED  
AFTER 2ND SHAREHOLDER MEETING AND RECORDING OF MORTGAGE; 2)  
REORGANIZATION WILL NOT BE COMPLETED BUT THAI INTERESTS WILL TRY  
TO WORK OUT SOME MODIFICATION WITH OR WITHOUT EXIMBANK-OPIC  
MONEY; AND 3) REORGANIZATION WILL NOT BE COMPLETED AND BANK-  
RUPTCY WILL ENSUE.

12. PROPOSED PROCEDURES BY EXIMBANK-OPIC--CLOSING DOCUMENTS  
WILL BE COMPLETED AS FAR AS POSSIBLE AND LEFT WITH EMBASSY TO  
BE DELIVERED AT CLOSING IF AND WHEN ALL DOCUMENTS COMPLETED  
BY OTHER CREDITORS. THIS SCHEDULE CONTEMPLATES DEPARTURE BY  
MARCH 15.

13. SIAM COMMERCIAL BANK CFF LINE--IF DECISION MADE NOT TO EXTEND  
CFF LINE FOR SCC, STRAIN ON EXIMBANK SCC RELATIONS BOUND TO  
ADVERSELY AFFECT REORGANIZATION. THIS IMMATERIAL IF REORGANIZATION  
IS NOT COMPLETED. REQUEST DEFERRAL DECISION UNTIL RETURN EXIM-  
OPIC REPRESENTATIVES.  
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## Message Attributes

**Automatic Decaptioning:** X  
**Capture Date:** 01 JAN 1994  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** AGREEMENTS, REORGANIZATIONS  
**Control Number:** n/a  
**Copy:** SINGLE  
**Draft Date:** 02 MAR 1976  
**Decaption Date:** 01 JAN 1960  
**Decaption Note:**  
**Disposition Action:** RELEASED  
**Disposition Approved on Date:**  
**Disposition Authority:** morefirh  
**Disposition Case Number:** n/a  
**Disposition Comment:** 25 YEAR REVIEW  
**Disposition Date:** 28 MAY 2004  
**Disposition Event:**  
**Disposition History:** n/a  
**Disposition Reason:**  
**Disposition Remarks:**  
**Document Number:** 1976BANGKO04736  
**Document Source:** CORE  
**Document Unique ID:** 00  
**Drafter:** n/a  
**Enclosure:** n/a  
**Executive Order:** N/A  
**Errors:** N/A  
**Film Number:** D760078-1158  
**From:** BANGKOK  
**Handling Restrictions:** n/a  
**Image Path:**  
**ISecure:** 1  
**Legacy Key:** link1976/newtext/t197603106/aaaadpbj.tel  
**Line Count:** 135  
**Locator:** TEXT ON-LINE, ON MICROFILM  
**Office:** ACTION OPIC  
**Original Classification:** LIMITED OFFICIAL USE  
**Original Handling Restrictions:** n/a  
**Original Previous Classification:** n/a  
**Original Previous Handling Restrictions:** n/a  
**Page Count:** 3  
**Previous Channel Indicators:** n/a  
**Previous Classification:** LIMITED OFFICIAL USE  
**Previous Handling Restrictions:** n/a  
**Reference:** 76 BANGKOK 3411, 76 BANGKOK 4145  
**Review Action:** RELEASED, APPROVED  
**Review Authority:** morefirh  
**Review Comment:** n/a  
**Review Content Flags:**  
**Review Date:** 06 FEB 2004  
**Review Event:**  
**Review Exemptions:** n/a  
**Review History:** RELEASED <06 FEB 2004 by GarlanWA>; APPROVED <07 JUL 2004 by morefirh>  
**Review Markings:**

Margaret P. Grafeld  
Declassified/Released  
US Department of State  
EO Systematic Review  
04 MAY 2006

**Review Media Identifier:**  
**Review Referrals:** n/a  
**Review Release Date:** n/a  
**Review Release Event:** n/a  
**Review Transfer Date:**  
**Review Withdrawn Fields:** n/a  
**Secure:** OPEN  
**Status:** NATIVE  
**Subject:** SIAM KRAFT PAPER CO. LTD.  
**TAGS:** EFIN, TH, SIAM KRAFT PAPER CO LTD, XMB  
**To:** STATE  
**Type:** TE  
**Markings:** Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 04 MAY 2006